

Message Text

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ACTION ARA-20

INFO OCT-01 EA-11 ISO-00 SCI-06 SCEM-02 EB-11 COME-00

INT-08 OMB-01 TRSE-00 CIEP-02 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01

SPC-03 SS-20 USIA-15 DRC-01 /140 W

----- 065521

R 101647Z JAN 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 2346

INFO AMEMBASSY BRASILIA

AMEMBASSY BRIDGETOWN

AMEMBASSY BOGOTA

AMEMBASSY GEORGETOWN

AMEMBASSY GUATEMALA

AMEMBASSY KINGSTON

AMEMBASSY LIMA

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY PANAMA

AMEMBASSY PORT OF SPAIN

AMEMBASSY PORT AU PRINCE

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY SANTO DOMINGO

AMEMBASSY TEGUCIGALPA

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ENRG, VE

SUBJ: VENEZUELA WILL TAKE SOME OIL ROYALTIES IN KIND

REF: CARACAS 0245

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1. FOLLOWING ADDITIONAL INFORMATION ON VENEZUELA'S PLAN TO TAKE ABOUT 100,000 B/D OF ITS ROYALTIES IN OIL, RATHER THAN CASH, WAS OBTAINED FROM SOURCE IN MINISTRY OF MINES AND HYDROCARBONS.

2. VENEZUELAN GOVERNMENT HAS NOT YET DECIDED TO WHICH COUNTRIES IT WILL MAKE THIS OIL AVAILABLE, BUT SOURCE EXPECTS THAT DECISION WILL BE BASED ON STUDY OF NEEDS OF POTENTIAL RECIPIENTS, WITH OIL BEING SUPPLIED TO NEEDIEST CASES. PROBABLY THERE WILL BE SOME ELEMENT OF PRICE PREFERENCE INVOLVED IN THAT VENEZUELA WOULD SELL THE OIL AT ITS COST (AMOUNT IT WOULD HAVE RECEIVED FOR THE OIL IN TAXES AND ROYALTIES IF IT HAD LEFT THE OIL IN THE HANDS OF THE OIL COMPANIES). SAVING TO BUYERS WOULD BE AT MOST EQUAL TO PROFIT OIL COMPANIES WOULD OTHERWISE HAVE EARNED ON THIS OIL, AND MIGHT BE SOMEWHAT LESS IF VENEZUELAN STATE OIL COMPANY IS ALLOWED TO EARN SOME PROFIT ON SALES.

3. MINISTRY IS NOW WORKING ON KINDS OF OIL TO BE TAKEN. GOVERNMENT WILL NOT, ACCORDING TO SOURCE, TAKE PROPORTIONAL SHARE OF EVERY CRUDE OIL IN VENEZUELA, BUT WILL BE SELECTIVE AS TO TYPE. TYPES SEMOCTED, HOWEVER, WILL BE BROADLY REPRESENTATIVE OF RANGE OF VENEZUELAN CRUDE OILS AND WILL NOT BE LIMITED TO BEST TYPES. MINISTRY RECOGNIZES THAT MOST POTENTIAL BUYERS IN CENTRAL AMERICA USE RECONSTITUTED CRUDE OIL, BUT THEY WILL HAVE TO SETTLE FOR TYPE OF OIL VENEZUELA WILL HAVE AVAILABLE UNDER THIS ROYALTY OIL SCHEME IF THEY WISH HELP FROM VENEZUELAN GOVERNMENT.

4. SOURCE IN SHELL PETROLEUM BELIEVES THAT REAL INTENT OF VENEZUELAN GOVERNMENT MAY NOT BE TO HELP CENTRAL AMERICAN COUNTRIES NEEDING OIL BUT TO OBTAIN SUPPLY OF OIL THAT COULD BE MOVED THROUGH VENEZUELAN GOVERNMENT CHANNELS TO ASSURE SUPPLIES OF SCARCE IMPORTED RAW MATERIALS. SHELL SOURCE BELIEVES, FOR EXAMPLE, THAT DEAL WITH JAPANESE IS UNDER CONSIDERATION INVOLVING EXCHANGE OF 40,000 B/D OF CRUDE OIL FOR VARIOUS STEEL PRODUCTS.
MCCLINTOCK

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Message Attributes

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